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IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

IN RE: ALTA MESA

RESOURCES, INC., Case No.: 4:19-cv-00957

SECURITIES LITIGATION

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Video-recorded deposition of D. PAUL REGAN, at  
Latham & Watkins, LLP, 505 Montgomery Street,  
Suite 2000, San Francisco, California,  
commencing at 9:29 a.m. PDT, Thursday, November  
2, 2023, before Lorrie L. Marchant, California  
CSR No. 10523.

Stenographically reported by:

LORRIE L. MARCHANT, RMR, CRR, CCRR, CRC

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1 think given the facts and circumstances that are in  
2 place here, that kind of off-the-cuff comment that  
3 was made by Mr. Palke was not -- it did not have  
4 sufficient weight to offset the opinions that are  
5 presented in my report.

6 Q. So your opinions are using your example  
7 based on your assessment of Mr. Palke's credibility  
8 with respect to his statements on parent-child  
9 wells?

10 MR. SCHOCHET: Objection. Misstates the  
11 witness's testimony.

12 THE WITNESS: I don't question his  
13 credibility. But I question when you put into  
14 context his statement, that it's not relevant to the  
15 circumstances that -- that I'm reporting on in my  
16 Exhibit 47.

17 It goes to the weight of Mr. Palke's  
18 statement in his deposition and the context of that  
19 weight versus the weight of other evidence that is  
20 cited in my report.

21 BY MS. WALLER:

22 Q. How did you -- using this specific example,  
23 how did you -- what weight did you put on his  
24 statement regarding child-parent wells?

25 A. Well, my recollection in his deposition, he

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1 I've used their data.

2 Q. You've never worked at a private equity  
3 firm?

4 A. No.

5 Q. And when we were talking earlier about your  
6 experience, I think you said in some of your prior  
7 experience, you took the calculations of projections  
8 that were prepared and, in -- I think in your words,  
9 corrected them; is that right?

10 A. Yes.

11 Q. You didn't do that in this case, did you?

12 A. No. I wasn't asked to do that.

13 Q. You didn't do your own calculation of what  
14 appropriate assumptions would be and what  
15 appropriate projections would be?

16 MR. SCHOCHET: Objection. Compound.

17 THE WITNESS: No. I haven't -- I don't  
18 have a recollection of amending, for example, the  
19 EBITDA.

20 I do say in -- in my report that if  
21 EBITDA -- when valuing an entity, if the slope of  
22 the growth line of EBITDA declines, it has a  
23 significant downward pressure on the EBITDA  
24 multiple. And that's based on my experience in  
25 valuing companies generally and seeing how oil and

1 gas companies are valued, in particular.

2 So if I were to make a revision, you know,  
3 what I would do is I'd attempt to identify the --  
4 the best information available for -- and to produce  
5 the most reasonable result. And if I were to turn  
6 that into an evaluation using EBITDA, I would then  
7 adjust the EBITDA multiple appropriately.

8 BY MS. WALLER:

9 Q. You didn't do that, though, here?

10 A. No. I commented that it would be lower  
11 than the EBITDA that has been used in some of the  
12 documents in this case.

13 And I certainly say that, you know, the  
14 expected MBOE was overstated and it did not  
15 represent the best information available and the  
16 most reasonable information available at the time  
17 that the projections were made.

18 Q. You never operated an oil and gas  
19 exploration company; right?

20 A. No, I didn't consider myself an operator.

21 Q. You've never actually tried to operate a  
22 well and work on how to maximize production out of  
23 an individual well?

24 A. No, I would not do that.

25 Q. You've never worked at an oil and gas

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1 portion of Mr. Campbell's testimony over the lunch  
2 period?

3 A. I did.

4 Q. And you didn't review this when forming  
5 your opinion; is that right?

6 A. Correct.

7 Q. And in reviewing Mr. Campbell's testimony,  
8 Mr. Smith, plaintiffs' attorney, was asking him  
9 about this chart that's on page 17 of your report  
10 and asking him about what it -- what it shows.

11 And if you see -- I'm going to point you  
12 specifically to -- on page 67, line 10. He says  
13 (as read):

14 "I mean, I think maybe you had some  
15 outliers that showed you that there, you  
16 know. But I would say you really didn't  
17 see enough data until late in 2018 to  
18 draw any conclusions, and that data was  
19 still pretty fresh."

20 Did you -- does Mr. Campbell's testimony  
21 with respect to his interpretation of the document  
22 that you're relying on, does that change your  
23 opinion?

24 A. No.

25 Q. Why not?

1           A.     A couple of things. He comments that "you  
2     had some outliers that showed you that there."

3                 When I look at -- at the chart that he was  
4     looking at, which is on page 50 -- or paragraph 59,  
5     that represents all of the wells as of September 30,  
6     2018 which had been in operation and for which there  
7     was a UR -- EUR. This is all wells.

8                 And the only outliers I see are those where  
9     child wells are over -- are shown to be over 250  
10    MBOE.

11                That's a lot of wells. It's all of the  
12    wells. And it's basically saying that at the time  
13    the projections were prepared, the comments that I  
14    see in my report, in the documents that I cite in my  
15    report that basically say 250 MBOE is too much and  
16    that the child wells are not going to perform as  
17    well as the parent wells, which is, I think, pretty  
18    obvious based on my review of the chart in 59.

19                And particularly when I -- when I focused  
20    on the child wells, and they're all of the child  
21    wells that were drilled and measured, you only  
22    see -- before the middle of 2017 when the  
23    projections were prepared, you only see two that are  
24    over 250.

25                And if you move to all of the wells on this

1 chart that were child wells, there's only 4. And I  
2 haven't counted all of the wells that are here, but  
3 there's -- there may be 100. I don't -- I would  
4 consider the -- those that were over 250 to be  
5 outliers, not all of the other child wells that  
6 showed underperformance.

7 It also is in contradiction to the expert  
8 reports that were -- were prepared by plaintiffs'  
9 experts. And probably more importantly from my  
10 perspective and my report is it contradicts other  
11 contemporaneous conclusions that had been made by  
12 the person cited in my report.

13 This testimony looks not credible.

14 Q. So you're -- are you giving Mr. Campbell's  
15 testimony any weight in coming to that conclusion?

16 A. I am not giving it any weight for the  
17 reasons that I describe.

18 Q. What are the accounting standards that  
19 govern how to weigh credibility of conflicting  
20 evidence in reviewing e-mails and deposition  
21 testimony?

22 A. Well, in the -- the accounting standards  
23 don't talk about that. But auditing standards talk  
24 about the -- assessing the credibility of evidence.

25 There's a -- there's a PCAOB standard on

1 evidence and the accountants weigh an assessment of  
2 that evidence.

3 For forensic purpose, it's the need to look  
4 at sufficient evidence to support a reasonable --  
5 have a reasonable bases for the opinions.

6 And certainly I've looked at sufficient  
7 evidence to support -- have a reasonable basis of  
8 support for my opinions.

9 Q. You mentioned the other plaintiffs'  
10 experts. Is your opinion that you have sufficient  
11 evidence -- does that rely on the other expert  
12 reports that the plaintiffs have submitted in this  
13 case?

14 MR. SCHOCHET: Objection. Asked and  
15 answered and misstates the testimony.

16 THE WITNESS: Well, I describe that in  
17 paragraph 140 of Exhibit 47.

18 And then I say that (as read):

19 "As described in paragraph 58, the  
20 plaintiffs have retained additional  
21 experts to perform analyses that are  
22 relevant to my consideration of AR --  
23 AMR's accounting and oil and gas  
24 reserves. I have identified these  
25 experts. I understand that there are

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1 have a material weakness, it exposes the financial  
2 statements to the possibility of -- reasonable  
3 possibility of material misstatement.

4 Now, when I look to the facts and  
5 circumstances which led to the recorded reserves at  
6 the time of the business combination and -- you  
7 know, it certainly appears as if it was reasonable  
8 to conclude that oil and gas reserves were  
9 materially misstated on the business combination,  
10 the financial statements that were created as a  
11 result of the business combination, and the  
12 projected EBITDA in the -- then incorporated in the  
13 business combination documents.

14 Q. But you're not opining -- I just want to be  
15 clear, you're not opining in this case that the --  
16 what you believe is a financial mis- -- a financial  
17 statement misstatement as of February 2018 was  
18 caused by any of the material weaknesses?

19 A. I don't express it that way. I express it  
20 in the way which the SEC guides, statements about  
21 this, and that is that material weaknesses open the  
22 reasonable possibility that there will be material  
23 misstatements in the resulting financial statements  
24 or financial documents.

25 I don't -- I don't say with definity that

1 that's what happened, but it's certainly -- to the  
2 extent you've got people that are not capable,  
3 don't -- and don't have the skill set to properly  
4 interpret, process, and record complex information,  
5 you are opening the door to the possibility of  
6 material misstatements. And it may be one of the  
7 reasons why there were material misstatements.

8 Q. With respect to each of the material  
9 misstatements -- and, I'm sorry, material  
10 weaknesses -- if we could just maybe stick with that  
11 part of your opinion -- did you do any independent  
12 analysis of Alta Mesa's controls, any controls  
13 testing of your own as part of your opinion?

14 MR. SCHOCHET: Objection to form.

15 THE WITNESS: No. I started working on  
16 this case in 2021, and I don't think it's practical  
17 to -- to do an evaluation of -- in 2021 of controls  
18 that were in place in 2017 and 2018.

19 So, no, I've -- I've not done that. I'm  
20 relying on the work that was done by others in this  
21 time frame.

22 BY MS. WALLER:

23 Q. Whose work?

24 A. KPMG. And certainly the comments that are  
25 cited, for example, beginning on page 214 and in

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1 A. Yes.

2 Q. You reviewed all of it?

3 A. I did, I read all of it. I thought it was  
4 important testimony. I should look -- take a look  
5 at what she had to say.

6 Q. You didn't find her credible?

7 A. It depends on what topic she was asked  
8 about.

9 Q. But particularly with respect to her  
10 testimony regarding the e-mail that's in  
11 paragraph 69 shown on page 21 of your report, you  
12 didn't find her testimony about that document to be  
13 credible?

14 A. That was my recollection, particularly when  
15 you consider all of the e-mails that she sent with  
16 respect to the issue of projected 2018 EBITDA.

17 Q. All right. And if you turn to page 190 of  
18 her deposition, you'll see at the top of page 190,  
19 this exhibit is -- she's asked about this exhibit at  
20 her testimony.

21 Do you see that reference to Exhibit 480?

22 A. Yeah, this is a discussion about  
23 Hal Chappelle might be mad because she expressed the  
24 view that such a result could not be achieved.

25 Okay.

1 Q. And this is the testimony you didn't think  
2 she was very credible in explaining her perspective  
3 on this e-mail?

4 A. Well, her testimony was not such that I --  
5 I determined that I shouldn't use this e-mail.  
6 Because I think the part of this where she says it  
7 can't be done is an important indicator of the  
8 concern with respect to the 350 million EBITDA.

9 Q. How did you weigh in your opinion her  
10 testimony where she's asked specifically about  
11 whether -- about that statement, and in her  
12 testimony she says later on (as read):

13 "I said that I found a model that  
14 works which would indicate that it could  
15 be done"?

16 A. Can you point me to a page or ...

17 Q. Page 194.

18 A. 194.

19 MR. SCHOCHET: I'm going to object.

20 Objection to the extent that it excludes other  
21 portions of her testimony which follows this.

22 THE WITNESS: Well, if you look at the  
23 bottom of page 95 -- well, actually, all of 95,  
24 she's --

25 ///

1 BY MS. WALLER:

2 Q. 195?

3 MR. SCHOCHET: 195?

4 THE WITNESS: 195. She says (as read):

5 "This is confusing."

6 Then it says (as read):

7 "That's confusing to me. I'm

8 wondering if there's a -- the time stamp

9 on the e-mail doesn't reflect the time

10 stamp from the Skype message."

11 Line 10, Mr. Smith --

12 (Stenographer interrupted for clarification  
13 of the record.)

14 THE WITNESS: Line 10, question Mr. -- by  
15 Mr. Smith (as read):

16 "Whether this document is accurate,  
17 you know they did produce it?"

18 Line 12 (as read):

19 "Answer: No, I'm not saying it's not  
20 accurate. I just can't tell the time  
21 stamp on the Skype. Because I agree, it  
22 would be confusing for me to say maybe  
23 couldn't be done, if later it was done."

24 Line 17 (as read):

25 "Well, wouldn't it make sense if you

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1 Q. On page 310, she was asked (as read):

2 "Sitting here today, do you remember  
3 ever believing those projections were  
4 unreasonable when they were released?

5 "No.

6 "Sitting here today, do you remember  
7 ever believing that those projections  
8 were unrealistic when they were released?

9 "No."

10 How did you take that testimony into  
11 account in your opinion?

12 A. I -- I noted that it was at 6:13 at night.  
13 It was a further examination. These are very broad  
14 questions that are not specific as to all of the  
15 various e-mails that she sent that were done  
16 contemporaneously.

17 And this is a very broad, vague question  
18 asked in May 2023, five years later. Interesting  
19 perspective, but I don't think it outweighs the  
20 contemporaneous e-mails that she sent five years  
21 earlier.

22 Q. And that's based on your assessment from  
23 reading her e-mails and reading her transcript; is  
24 that right?

25 A. Correct.

1 Q. What other credibility determinations did  
2 you make with respect to the testimony that you  
3 reviewed that is relevant for purposes of the  
4 opinions that you're offering in this case?

5 MR. SCHOCHET: Objection to form.

6 THE WITNESS: Well, I don't have a  
7 recollection of what I would characterize as  
8 "credibility determinations."

9 I -- I think I do that with respect to most  
10 documents that I refer to in support of my  
11 determinations. I look at -- at the date of the  
12 document. I look at who prepared the document, who  
13 it was sent to, what -- what is said within the  
14 document, who prepared the document, whether the  
15 content of the document appears to be credible.

16 I think I do that with respect to virtually  
17 all of the documents that I rely on to support my  
18 opinions.

19 BY MS. WALLER:

20 Q. Let's take a look at a specific example.

21 So turn to paragraph 102.

22 In paragraph 102, you -- you rely on an  
23 e-mail written by Bo Dunne as well as an e-mail  
24 written by Mr. Michael Christopher.

25 Do you see that?

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1 January 9, 2018 and 12/31/2018, which was a  
2 20 percent decline.

3 So we want to eliminate that 20 percent  
4 decline. And it results in an indication that the  
5 February 9, 2018, using the calculation at  
6 12/31 where we restored the -- the depletion -- the  
7 depletion and we eliminate the adverse affect of  
8 declining commodity prices and calculate a value of  
9 a billion 72 million.

10 BY MS. WALLER:

11 Q. And what does the billion 72 million  
12 represent?

13 A. It's a -- represents approximately the  
14 value of the oil and gas reserves, the volumes,  
15 priced using the commodity prices at February 9 as  
16 calculated without the -- without the improper  
17 assumptions that contaminated the calculation at  
18 February 9 for the benches, the parent-child well,  
19 and the issues with respect to spacing.

20 When you correct those three, which is what  
21 happened at 12/31/18, and you bring that correction  
22 back to February 9, 2018, you get an approximate  
23 value of a billion 72 million.

24 Q. Does the billion 72 million, the  
25 calculation of that at all rely on the 50 percent in



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1 February 9th, 2018?

2 A. It's an effort to estimate the balance in  
3 oil and gas reserves in dollars, eliminating  
4 depletion, eliminating the adverse impact of  
5 commodity price reduction, and eliminating the --  
6 the reduction that occurred because of the  
7 impairment arising as a result of capital  
8 restraints.

9 So we tried to exclude all of those things.

10 Q. Did you do an independent assessment of  
11 what the reserves should have been based on the well  
12 results that AMR had at the time in February of  
13 2018?

14 A. No, I -- I did not.

15 The statements that I've made in the report  
16 is that those estimates were materially overstated  
17 because of the assumptions of -- that I discuss in  
18 paragraph 139.

19 And the -- the expectation based upon the  
20 documents that I cite is that these incorrect  
21 assumptions had materially overstated the oil and  
22 gas reserves at February 9, 2018.

23 Q. Is the proved oil and gas balance at  
24 December 31st, 2018, is that based on the same  
25 Ryder Scott report that you previously referenced

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